

Mr. W. H. Hudson, Administrator
Oconee Memorial Hospital
Post Office Box 858
Seneca, South Carolina 29679-0858

Re: AC# 3-LLD-J4 – Oconee Memorial Hospital, Inc.
d/b/a Lila Doyle Nursing Care Facility

Dear Mr. Hudson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
SENECA, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-LLD-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 21, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
December 21, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-LLD-J4

	10/01/95- <u>09/30/96</u>
Adjusted Reimbursement Rate	\$83.08
Interim Reimbursement Rate (1)	<u>81.77</u>
Increase in Reimbursement Rate	\$ <u>1.31</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1995 Through September 30, 1996
 AC# 3-LLD-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$ 65.72	\$40.58	\$40.58
Dietary	<u>-</u>	<u>13.22</u>	<u>9.21</u>	<u>9.21</u>
Subtotal	\$ <u>-</u>	78.94	49.79	49.79
Laundry/Housekeeping/Maint.	\$ -	12.14	7.21	7.21
Administration & Med. Rec.	<u>.91</u>	<u>7.46</u>	<u>8.37</u>	<u>7.46</u>
Subtotal	\$ <u>.91</u>	98.54	\$ <u>65.37</u>	64.46
<u>Costs Not Subject to Standards:</u>				
Utilities		2.57		2.57
Special Services		.47		.47
Medical Supplies & Oxy.		2.53		2.53
Taxes and Insurance		.41		.41
Legal Fees		<u>.36</u>		<u>.36</u>
TOTAL		<u>\$104.88</u>		70.80
Inflation Factor (6.30%)				4.46
Cost of Capital				9.33
Cost of Capital Limitation				(2.42)
Profit Incentive (Max. 3.5% of Allowable Cost)				.91
Cost Incentive - For Gen. Serv. & Dietary				-
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$83.08</u>

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-LLD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 1,706,491	\$152,145(1)	\$ -	\$ 1,858,636
Dietary	466,892	-	93,007(1)	373,885
Laundry	124,472	-	37,103(1)	87,369
Housekeeping	174,565	-	18,234(1)	156,331
Maintenance	71,054	28,723(1)	-	99,777
Administration & Medical Records	214,818	-	3,885(1)	210,933
Utilities	56,446	16,335(1)	-	72,781
Special Services	7,230	6,074(1)	-	13,304
Medical Supplies & Oxygen	71,242	248(1)	-	71,490
Taxes & Insurance	8,983	2,553(1)	-	11,536
Legal Fees	-	10,158(1)	-	10,158
Cost of Capital	<u>234,281</u>	<u>115,118(2)</u>	<u>85,647(1)</u>	<u>263,752</u>
Subtotal	3,136,474	331,354	237,876	3,229,952

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-LLD-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	41,978	-	2,374(1)	39,604
Non-Allowable	<u>40,755,650</u>	<u>24,014(1)</u>	<u>115,118(2)</u>	<u>40,664,546</u>
Total Operating Expenses	<u>\$43,934,102</u>	<u>\$355,368</u>	<u>\$355,368</u>	<u>\$43,934,102</u>
TOTAL BEDS <u>79</u>		TOTAL PATIENT DAYS		<u>28,283</u>

Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-LLD-J4

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 AC# 3-LLD-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>79</u>
Deemed Asset Value	2,440,231
Improvements Since 1981	249,742
Accumulated Depreciation at 9/30/94	<u>(1,046,997)</u>
Deemed Depreciated Value	1,642,976
Market Rate of Return	<u>.072</u>
Total Annual Return	118,294
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	118,294
Depreciation Expense	146,480
Amortization Expense	-
Capital Related Income Offsets	(1,022)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	263,752
Total Patient Days (Minimum 97% Occupancy)	<u>28,283</u>
Cost of Capital Per Diem	\$ <u>9.33</u>

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-LLD-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.91</u>
Reimbursable Cost of Capital Per Diem	\$ 6.91
Cost of Capital Per Diem	<u>9.33</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.42)</u>